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SOURCE      Wen-hui Pao.

DISCUSSES DEFECTS IN SHANG-HAI INDUSTRY;  
PROPOSES CONVERSION AND DECENTRALIZATION

Shang-hai, one of the few industrial cities in China, includes one third to one half of China's industry outside of Manchuria. It is a grotesque relic of 100 years of imperialism in China. New China's industry must be built on this foundation and raised to new levels. In the past, Shang-hai industry had four defects:

## 1. Colonialism

Shang-hai was originally a colonial city and so was its industry. It had no independence, it leaned on foreigners. Although extraterritoriality was done away with before the liberation, yet the colonial atmosphere remained, colonial traditions pervaded every part of its industry. This was most clearly seen in its dependence on foreign nations for materials, machines, and technical skill. Even food and power were supplied by foreign interests. This was true also of transportation and to a certain extent, of markets; it could not stand alone. It was merely an outpost of imperialism in China.

## 2. Consumers' Goods

Shang-hai industry is almost entirely light industry, with only a very little of the semiheavy. There is a great lack of facilities to produce the tools of industry. The light industries are mostly textile and its subsidiaries. Although Shang-hai is an industrial city, it produces only consumers' goods, and the industries, like the city itself, are built on a sandbank.

### 3. Needleless Concentration

China is a vast territory with poor transportation. Shang-hai, at the eastern edge, subject to aggression, was an outpost of Oriental and Occidental imperialism. China's industries have been concentrated in Shang-hai. This is abnormal and unnecessary. It was induced not by China's economy, but by imperialism and official compradorism. Shang-hai has monopolized industrial production on a

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nation-wide scale. Its products are sold throughout country, except for exports and a fraction consumed locally. Shang-hai is far from its sources of raw materials and from its markets. Its position as the center of one third to one half of China's industry is both artificial and unwholesome.

#### 4. Corrupting Influence

From V-J Day until liberation, Shang-hai was a cesspool for the money of reactionaries and that which was exploited from the people by the bureaucratic capital of the four big families. State enterprises in Shang-hai, based on such capital, were not able to expand and build a prosperous economy. These enterprises drained the national economy. There was much corruption. Normal enterprises were not able to survive the currency and economic chaos and atmosphere of speculation. There followed the evils of uncertainty, deterioration of plants, lack of technical workers, scarcity of capital, etc. Added to this was the growing cleavage between city and country, and the wanton destruction by the Kuomintang troops when they withdrew.

There will be many obstacles to the reform of Shang-hai industry. First, the breaking off of imperialist connections has brought on the threat of blockade, cutting off the supply of raw materials. Some plants cannot continue operations. Second, because of transportation difficulties it is hard to get coal and to distribute goods to markets. Third, with social upheaval and the leisure class gone, the luxury market is gone. Industry cannot keep pace in changing its output to livelihood necessities. Added to these, capital and stockpiles are inadequate. Finally, drought, locusts, floods, etc., have reduced the peasant's purchasing power and his ability to supply raw materials.

Time must elapse between diagnosing the defects and correcting them, but this interval will not be too long.

The first principle of reform is to rid Shang-hai industry of its reliance on outside sources for materials. Industries that get raw materials from abroad must find domestic sources or use substitutes. Problems of machinery, technique, power, fuel, are not insoluble. This is not advocating the cutting off of relations with other countries. Of course, we must first be independent, then we need fear no "blockade"; and after that we can have foreign intercourse on a basis of equality of treatment.

The second principle is for Shang-hai industry to serve the manufacturer as well as the consumer. Of course it could concentrate on textiles and ancillary activities; that should be determined after surveying its place in the nation's industry as a whole. Shang-hai lacks the conditions for heavy industry; if it turns to light industry to serve the whole people rather than a special class, that is all right. It can guarantee supplying a large quantity of necessities. Industries producing luxury goods must be converted to produce necessary commodities.

A third principle is to decentralize and localize Shang-hai industry. The world tendency today is to scatter industry, as in the Soviet Union. Many benefits would accrue from moving a portion of Shang-hai industry elsewhere, and problems of fuel and power could be solved, while transportation burdens would be lessened. The whole matter deserves careful study from all angles.

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